

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: P.T. COCONUT (TINA) INDONESIA

1. THE FOLLOWING LETTER WAS RELEASED APRIL 4 TO ROBERT PARKER,
ATTORNEY FOR UNITED COCONUT U.S. AND WAS TELEXED TO JOE JORDAN
AND PICA AT SINGAPORE:

"ROBERT PARKER, ESQ.
KIRKWOOD, KAPLAN, RUSSIN AND VECCHI
1218 SIXTEENTH STREET, N.W.
WASHINGTON, D.C. 20036

RE: P.T. UNITED COCONUT (TINA) INDONESIA (THE "COMPANY")
AND UNITED COCONUT CORPORATION ("UNITED U.S.")

DEAR MR. PARKER:

WE HAVE JUST RECEIVED YOUR LETTER OF MARCH 29, 1974 SETTING
FORTH UNITED U.S.'S MOST RECENT REORGANIZATION PROPOSAL. AS
MARCIA WISS MENTIONED BY TELEPHONE, OPIC'S PRINCIPAL CONCERN IS
THE STATUS OF THE PROJECT COMPLETION AGREEMENT UNDER THIS PRO-
POSAL. WE AWAIT YOUR CLARIFYING LETTER ON THAT POINT WHICH YOU
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SAID YOU WOULD SEND.

IN ANSWER TO YOUR FIVE POINT PLAN:

1) OPIC SUPPORTS, AND ALWAYS HAS SUPPORTED, MANAGEMENT OF THE COMPANY ACCORDING TO CONTRACTUAL AGREEMENTS OF THE PARTIES, AND LEGALLY TAKEN CORPORATE ACTIONS. AFTER ORIGINAL APPROVAL OF THE COMPANY'S ORGANIZATION AND DOCUMENTATION AS CONDITIONS TO ITS LOAN, OPIC, AS A LENDER, HAS HAD NO ROLE IN DETERMINING THE IDENTITY OF THE COMPANY'S PRESIDENT/DIRECTOR AND THE CONDITIONS UNDER WHICH HE IS TO SERVE. SIMILARLY, OPIC NEITHER HAD NOR ATTEMPTED TO EXERCISE ANY ROLE IN THE APPOINTMENT OF MR. HODGSON AS ACTING GENERAL MANAGER, ALTHOUGH OPIC SUPPORTED THE DIRECTORS' POSITION IN HIS APPOINTMENT TO SPEED COMPLETION OF THE PROJECT AT THE LEAST POSSIBLE EXPENSE.

2) AND 3) BOTH THE TECHNICAL ASSISTANCE AGREEMENT AND THE MARKETING AGREEMENT, AS WELL AS OTHER AGREEMENTS, WOULD HAVE TO BE FURTHER REVIEWED WITH ALL THE PARTIES PRIOR TO A SALE OF UNITED U.S.'S EQUITY IN THE COMPANY.

4) OPIC WOULD CONSENT TO THE SALE OF UNITED U.S.'S EQUITY AND AGREE TO MODIFY ITS STOCK RETENTION AGREEMENT ACCORDINGLY IF SUCH SALE WERE IN CONSONANCE WITH THE ARTICLES OF ASSOCIATION AND LOCAL LAW AND MADE PROVISIONS FOR THE PROJECT COMPLETION AGREEMENT OBLIGATIONS OF UNITED U.S.

5) THE PROCEEDS OF THE SALE SHOULD FIRST BE APPLIED TO THE LARGE COST OVERRUN AND WORKING CAPITAL OBLIGATIONS WHICH NOW EXIST UNDER THE PROJECT COMPLETION AGREEMENT, AS SUGGESTED IN THE PROPOSAL ON PAGE TWO OF YOUR LETTER. ONLY THE EXCESS SHOULD BE APPLIED TO MARKETING ACTIVITIES. BY LETTER DATED MARCH 25, 1974 OPIC AND PICA HAVE GIVEN NOTICE OF UNITED U.S.'S OVERRUN OBLIGATIONS, AND EXPECT THEM TO BE MET.

OPIC CONTINUES IN ITS SUPPORT FOR THE IMPORTANCE OF THE ROLE OF JOSEPH JORDAN IN THE MARKETING OF THE PRODUCT. PERHAPS HE WILL BE ABLE TO DEVOTE MORE TIME TO IT IF THE RECENT DISCOVERY OF WATER HAS REMOVED THE LAST TECHNICAL PROBLEM TO CONSTRUCTION OF THE PLANT IN CND

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VERY TRULY YOURS,

LEO NIELSON, DEPUTY TREASURER"

2. PLEASE DELIVER COPY OF LETTER TO THE LEGAL FIRMS OF MOCHTAR, KARUWIN AND KOMAR AND ADNAN BUYUNG NASUTION AND ASSOCIATES.

3. FYI LATE IN THE AFTERNOON OF APRIL 4 OPIC RECEIVED LETTER FROM ROBERT PARKER ADVISING HIS FIRM IS TERMINATING ITS ROLE AS COUNSEL FOR UNITED COCONUT U.S.

4. THE FOLLOWING IS THE EXT OF ATTORNEY PARKER'S LETTER OF MARCH 29, 1974:

"OVERSEAS PRIVATE INVESTMENT CORP.
1129 20TH STREET, N.W.
WASHINGTON, D.C. 20527

ATTENTION: MR. JOHN CULMAN
RE: P.T. UNITED COCONUT (TINA) INDONESIA

DEAR JOHN:

THIS LETTER IS FURTHER TO THE SEVERAL DISCUSSIONS WHICH JAY KAPLAN AND I HAVE HAD WITH YOU AND LEO NIELSON, WITH GENTREX, INC'S ATTORNEY BOB HERITIER, AND WITH JOSEPH JORDAN, THE PRESIDENT OF OUR CLIENT UNITED COCONUT CORPORATION, CONCERNING ASPECTS OF THE MANAGEMENT, OWNERSHIP, AND OVERRUN FINANCING OF THE DESICCATED COCONUT PROJECT ESTABLISHED IN INDONESIA BY P.T. UNITED COCONUT ("P.T. UNICO").

UNITED COCONUT CORPORATION ("UCC") CONTINUES TO BELIEVE IN THE FUNDAMENTAL SOUNDNESS OF THE PROJECT STRUCTURE WHICH WAS AGREED UPON AT THE OUTSET BY LENDERS AND SHAREHOLDERS ALIKE. AS YOU KNOW, THAT STRUCTURE INCLUDES A MAJOR VOICE BY UCC IN THE MANAGEMENT OF P.T. UNICO PURSUANT TO THE TECHNICAL ASSISTANCE AGREEMENT BETWEEN UCC AND P.T. UNICO AND THROUGH THE ACTIVITIES OF MR. JORDAN AS PRESIDENT/DIRECTOR OF P.T. UNICO. HOWEVER, UCC'S PRIMARY OBJECTIVE REMAINS, AS IT HAS ALWAYS BEEN, THE SUCCESSFUL COMPLETION OF THE PROJECT.
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UCC HAS, THEREFORE, GIVEN CAREFUL CONSIDERATION TO THE VIEWS OF ALL OTHER PARTICIPANTS IN ORDER TO DETERMINE WHETHER ANY ALTERNATIVE STRUCTURE WOULD BE CONSISTENT WITH THE PROJECT'S BEST INTERESTS.

AS A RESULT OF EARLIER NEGOTIATIONS WITH POLECO, AND IN AN EFFORT TO RESOLVE VARIOUS ISSUES WHICH HAVE PROVEN TROUBLESOME TO THE PROJECT, UCC HAD PROPOSED, AND WE HAD DISCUSSED WITH YOU, AN ACCOMMODATION WHEREBY: (1) UCC WOULD SELL 75,000 (OR ABOUT ONE-HALF) OF ITS SHARES IN P.T. UNICO TO POLECO AT DOLS 1.50 PER SHARE; (2) THE RECENTLY ESTABLISHED EXECUTIVE COMMITTEE OF P.T. UNICO AND THE ACCOMPANYING RESTRICTION ON MR. JORDAN'S TRAVEL TO THE PROJECT SITE WOULD BE DISSOLVED; (3) P.T. UNICO WOULD ENTER INTO A ONE YEAR CONTRACT WITH POLECO FOR THE PURCHASE OF APPROXIMATELY ONE-THIRD OF P.T. UNICO'S COCONUT REQUIRE-

MENTS; AND (4) UCC WOULD APPLY THE PROCEEDS FROM THE SALE OF ITS SHARES, FIRST, TO MEET ITS PROPORTIONATE SHARE OF THE OVER-RUN AND, SECOND, TO ITS ACTIVITIES PURSUANT TO THE MARKETING AGREEMENT BETWEEN P.T. UNICO AND UCC. UNDER THIS PROPOSAL, WHICH OPIC DID NOT OPPOSE BUT WHICH WAS REJECTED BY PICA, MR. JORDAN WOULD HAVE CONTINUED AS PRESIDENT/DIRECTOR OF P.T. UNICO AND UCC WOULD HAVE CONTINUED ITS ACTIVITIES IN ACCORDANCE WITH THE TECHNICAL ASSISTANCE AGREEMENT.

THE LENDERS' FAILURE TO APPROVE THIS REASONABLE AND EMINENTLY SENSIBLE PROPOSAL CONFRONTS UCC WITH A MOST DIFFICULT DILEMMA. WE BELIEVE THAT RECENT ACTIONS MAY GIVE RISE TO STRONG LEGAL CLAIMS, SHOULD OUR CLIENT CHOOSE TO ASSERT THEM, BASED UPON, INTER ALIA, THE SHARE RETENTION AND GUARANTY AGREEMENT, THE TECHNICAL ASSISTANCE AGREEMENT, THE JOINT VENTURE AGREEMENT, AND INDONESIAN LAW. UCC WILL ASSERT SUCH CLAIMS ONLY AS A LAST RESORT; HOWEVER, SINCE THEY RECOGNIZE THAT THE OUTBREAK OF LITIGATION AMONG THE PROJECT PARTICIPANTS COULD ONLY BE DETRIMENTAL TO THE PROJECT, AND UCC HAS MORE AT STAKE IN THIS PROJECT THAN ANYONE ELSE. THE OTHER PARTICIPANTS UNDOUBTEDLY VALUE THEIR INVESTMENTS IN P.T. UNICO, BUT UCC'S VERY SURVIVAL DEPENDS UPON ITS ABILITY TO MARKET DESICCATED COCONUT PRODUCED BY THE FACTORY.

THE CONTINUATION OF UCC'S ORIGINAL ROLE IN MANAGEMENT OF THE PROJECT IS SUPPORTED BY THE FILIPPINO WORKERS ON THE PROJECT
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AND BY GENTREX, INC., BUT THIS ROLE HAS BEEN OPPOSED BY PICA AND POLECO AND HAS NOT BEEN SUPPORTED BY OPIC. IN ORDER TO AVOID THE RISK OF FACTIONAL DISPUTES WHICH WOULD DEBILITATE THE PROJECT, AND IN ORDER TO BUILD THE SOUNDEST POSSIBLE MARKETING PROGRAM FOR THE FACTORY, UCC HEREBY OFFERS TO:

(1) SUBMIT THE RESIGNATION OF JOSEPH JORDAN AS PRESIDENT/DIRECTOR OF P.T. UNICO;

(2) ENTER INTO A MUTUAL RESCISSION OF THE TECHNICAL ASSISTANCE AGREEMENT WITH P.T. UNICO;

(3) MAKE MR. JORDAN'S EXPERTISE AVAILABLE TO P.T. UNICO UPON REQUEST, AS A CONSULTANT, ON A PER DIEM, COST-REIMBURSABLE BASIS;

(4) SELL ALL OF ITS EQUITY IN P.T. UNICO, AT A PRICE OF DOLS 1.50 PER SHARE, TO PICA, POLECO AND/OR ANY THIRD PARTIES PROPOSED BY OR ACCEPTABLE TO OPIC AND PICA;

(5) APPLY ALL PROCEEDS FROM THE SALE OF ITS SHARES TO THE MARKETING OF THE DESICCATED COCONUT PRODUCED BY P.T. UNICO.

WE TRUST THAT THE FOREGOING PROPOSAL WILL BE ACCEPTABLE TO
OPIC AND PICA, INASMUCH AS IT HAS BEEN SPECIFICALLY FORMULATED
TO MEET AND ACCEDE TO WHAT WE UNDERSTAND TO BE YOUR OBJECTIONS
TO CERTAIN EXISTING ASPECTS
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